

Administration of Barack H. Obama, 2009

**Remarks Following a Meeting With Prime Minister Kevin Rudd of Australia
and an Exchange With Reporters**

March 24, 2009

President Obama. Hello, everybody. It is good to see you. Just had an excellent meeting with Prime Minister Rudd and his team. Obviously, there are very few countries that are closer than the United States and Australia. And Prime Minister Rudd's Government, I think, has shown the kind of vision not just domestically but on the international stage that we greatly admire.

I expressed thanks to the Government of Australia for everything that it's done with respect to Afghanistan, and we discussed the fact that we're engaged in a strategic review process at this point that will lead, I hope, to a more effective coalition strategy. It's not yet completed, but there's going to be close consultation between our two governments.

We spent the bulk of our time talking about the global financial crisis and what's been happening with respect to our respective economies and the world economy. And in the runup to the G-20, I feel that there's a great meeting of the minds between Prime Minister Rudd and myself in terms how we should approach it.

The importance of doing what's necessary to support global demand and job development and economic growth; the importance of a financial regulatory mechanism that prevents the kind of systemic risks that have done so much damage over the last several months; and finally, making sure that, as an international community, we are looking after the severe threat that poor countries, emerging markets, are under as a consequence of this financial crisis, and recognizing that our own growth, our own success in rebounding from this crisis is going to be tied up with what happens around the world. And it's going to be important for the relatively wealthy nations like ours to take leadership in assuring that we don't see a continued downward spiral that has an even more devastating impact in some of these emerging markets.

So I'm very grateful for secretary—or for Prime Minister Rudd's friendship. He has been one of the people who I've called on various occasions to—right after the election and repeatedly over the last several months. I think he's doing a terrific job, and I'm looking forward to partnering him for some years to come.

Prime Minister Rudd. Well, thank you, Mr. President, and it's great to be back in Washington. This alliance of ours between Australia and the United States has been going for about 65 years or so and some 13 U.S. Presidents and 13 Australian Prime Ministers. And it's a first-class alliance, and it's a first-class partnership between our two countries, and the purpose of this visit is to reaffirm it and to examine its future and to work on its future together.

As the President has just indicated, we spent some time talking about our common challenges in Afghanistan. It's important to remind ourselves why we're there, and that is never to forget those who lost their lives on September 11, never forget those who have been killed in terrorist attacks since, never forget that many of those responsible were trained and given support in Afghanistan. And so our mission remains to ensure that that country doesn't become a safe haven for terrorists in the future.

As the President has indicated, we spent a huge part of our time discussing what is a global recession, a global economic crisis coming out of a global financial crisis. And a global recession

requires a global solution, and that's why so much of our discussion today focused on common actions we need to take together at the upcoming G-20 summit in London.

I think the actions taken by the U.S. administration and the statement yesterday by Treasury Secretary Geithner on impaired asset management is an important step in the overall road to global economic recovery. And actions of that type in Europe and elsewhere are also necessary parts of our long-term global economic recovery.

I look forward to working with the President in London on the concrete actions that we need to agree on there, stimulating our economies, working on the future of the IMF, and working also on what we do to better regulate the global financial system in the future.

The President and I also had an opportunity to discuss the enduring challenge of climate change, and this is an economic challenge and an environmental challenge. It presents challenges and it presents opportunities. But we look forward very much to partnering with the United States in dealing with this big one for the future.

It's going to be tough, it's going to be hard, it's going to require a lot of political leadership. But with our partners around the world, I think our governments are determined to make a difference and not just to push this one away permanently in the too-hard basket. I think that's good. And I'll just say it's great to have America onboard. It's great to have America onboard on this one.

And, Mr. President, to see the return of U.S. global economic leadership, we appreciate that very much, and it's going to be necessary in the difficult times which lie ahead for us all.

Thank you very much for all your hospitality today.

President Obama. Well, thank you. We've got a couple of questions, so we're going to start with David Alexander [Reuters].

Treasury Department Resolution Authority/Global Financial Regulations

Q. Yes. Secretary Geithner told Members of Congress this morning that he needs the authority to shut down nonbank financial institutions like AIG when they get into trouble. Should that authority rest with the Treasury Department directly or through an existing regulator? And how long do you think it'll take to convince Congress?

President Obama. Well, I hope it doesn't take too long to convince Congress. I know that Barney Frank, the chairman of the House Financial Services Committee, as well as Chris Dodd on the Senate side, their Republican counterparts, Richard Shelby and Congressman Baucus, were sitting in this room to discuss this issue.

Right now we do not have resolution authority for a nonbank institution like AIG that is comparable to what we have for banks that get into trouble using the FDIC. And in the absence of that capacity, you end up with the situation that we've been in, a systemic—or an institution that poses systemic risks to the system, but a lack of capacity to shut it down in an orderly way, renegotiate contracts, sell off bad assets, and do so in a way that doesn't endanger the entire system.

So we are already hard at work in putting forward a detailed proposal. We will work in consultation with Members of Congress. That will be just one phase of a broader regulatory framework that we're going to have to put in place to prevent these kinds of crises from happening again. And as Prime Minister Rudd and I already discussed, it's going to be

important that even as individual countries take actions to prevent these kinds of crises, that our regulations spur a race to the top as opposed to the race—a race to the bottom.

If the major economies aren't coordinating in some fashion, then what you end up having is potential capital fleeing to the places with the least restraint, the least transparency, the least openness. And in a global market with capital flows that end up being in the trillions moving in the blink of an eye, it's very important that this end up being a coordinated effort, and I'm confident that working with people like Prime Minister Rudd, we're going to be able to hammer out a better approach than we've been taking recently.

Prime Minister Rudd. Now on the Australian side, the President's very well prepared; he's got a list of two Australian journalist names there. I do not know who the two American journalists—[laughter]—who are the two Australians? Over here.

Global Economy/Energy

Q. Mr. President, subprime loans make up just about 1 percent of Australian mortgages, yet Australians are suffering because of the financial crisis, losing retirement incomes and even losing jobs. What assurances can you give the Australian people that everything you do will work to fix this crisis? And, Prime Minister, how confident are you that the President will be successful?

President Obama. Well, as Prime Minister Rudd indicated, there's a global crisis, and what we've seen is a pattern that's been building up. In this case, subprime lending was the initial trigger, but there's a larger problem, and that is huge unregulated capital flows, a reliance on bubbles as a driver of economic growth. And what we have said is that it is very important us—for us to return to a much more stable approach to economic growth. One that's built on improved education, making sure that we are developing the new clean energies of the future, having a regulatory system in place that protects consumers—in the case of housing, for example, here in the United States, you saw people being peddled loans that they could never hope to pay back—but also protects the system by ensuring that you're not leveraging off of one shaky loan huge numbers of other financial products that ultimately prove to be worthless.

So this whole issue of financial regulation is going to be absolutely critical. We are very confident that we are going to be able to work in concert with the other major economies to stabilize the financial system. I think all of us are going to have a set of challenges. All the—both wealthy countries as well as emerging markets are going to have a challenge in finding new areas of economic growth that I think are going to be necessary to replace some of the financial shenanigans that have been taking place over the last several years.

One area where we agree there's enormous potential is in the area of clean energy. Both Australia and the United States have vast coal reserves, but we're also very interested in figuring out how do we reduce the greenhouse gases that are causing global warming. If we can take some intelligent steps, and we start to discuss how we could work together on this, figuring out how to sequester and capture the carbon that's emitted from coal, as just one element of a broader range of energy initiatives, that's an example of something that can create jobs—also deal with a potential environmental crisis—that's the kind of economic growth that I think we're going to be looking for.

Prime Minister Rudd. Just on what the President said on jobs coming out of clean energy, I welcome today the fact that President Obama has indicated that the United States will become a partner with Australia and many other governments around the world in the Australian initiative for a global carbon capture and storage institute. And that's going to be

welcome around the world. Generating jobs through clean coal and carbon sequestration technologies is critical. It's also critical in terms of bringing down greenhouse gas emissions.

On your broader question about U.S. actions, can I just say this: The central economic problem today is how you restore normal private credit flows across the global economy. And one of the—the significant impediment to that so far around the world has been the problem of impaired assets on the balance sheets of the world's biggest banks.

What you've seen in the United States is decisive action by the administration through the plan further outlined by Secretary Geithner yesterday. This is really important stuff; it's really fundamental stuff. And a framework within which that occurs and is implemented globally—including by our friends in Europe—once done, you actually then can track the pathway to global economic recovery. That's why the statement—the announcement by the Treasury Secretary yesterday is so important and welcomed by us and, as you can see, by markets around the world.

The other thing I'll just say is the stimulus packages by the U.S. Government and—deployed in recent times—is fundamentally important. We are doing things similar in Australia. The International Monetary Fund says we should all be aiming towards generating 2 percent of GDP worth of stimulus over the next couple of years. That's right to provide temporary support for growth and jobs in the period ahead while we're seeing the recovery in credit flows.

So again, in answer to your question, the stimulus package deployed by the U.S. is important not just for this economy, but globally—as are similar actions around the world.

President Obama. Roger [Roger Runningen] from Bloomberg.

International Banking Regulations

Q. Yes. Mr. President, thank you. I'd like to talk about the G-20 a little bit. The French Prime Minister, in a news conference here in Washington this morning, said that you will be supporting tighter international regulations on hedge funds. We've not heard that from you, so is that true, number one? And number two, what exactly do you have in mind?

President Obama. Well, the—I have not seen the quote from the French Foreign [Prime]* Minister, so I don't want to respond to his quote.

Q. Do you want to go for tighter regulations, though?

President Obama. Here's what I've said—and I think Secretary Geithner has indicated as much—is that it is important for us to have a regulatory framework for various flows of capital and financial instruments that could pose a systemic risk to the system.

How we do that—whether it's a matter of each national government dealing with this and then coordinating effectively across borders, how much of it is reporting and disclosure and transparency versus restrictions on how these various instruments operate—I think that's all something that needs to be worked out. That's part of the effort that we're going to be initiating here in the United States. We will be discussing it at the G-20.

And I know that this is an area of particular interest to President Sarkozy. I will be speaking with him this week, and our foreign—our respective finance ministers have already

* White House correction.

spoken. So my expectation is, is that coming out of the G-20, there will be a framework to deal with a whole host of these financial regulatory issues.

Not all of them may get resolved immediately; many of them are highly technical. But I think the important theme to the whole process is going to be making sure that we are not simply regulating the banks under a framework that was created back in the 1930s, at a time when the global financial system has evolved in a thousand different other directions. There's got to be a more comprehensive view than the one that we've been taking so far.

Prime Minister Rudd. Phil Coorey.

Australia's Role in Afghanistan/Military Operations in Afghanistan

Q. Mr. President, Phil Coorey, Sydney Morning Herald. If I could go back to Afghanistan, there's a fair degree of anticipation in Australia that we'll be asked to extend significantly, if not expand, our commitment to the war. There's also dwindling support amongst the Australian people for that sentiment. Could you tell the Australian people on the other side of the Pacific why they should support any such commitment—extended or expanded commitment? And could you offer them any suggestion as to how long that commitment may continue?

President Obama. Well, we are in the process of a strategic review. I don't want to prejudge what is still a work in process. What I shared with Prime Minister Rudd, though, is something that I think the Australian people understand, just as the American people understand, that the threat of terrorist attacks from Al Qaida and their affiliates is not a threat that's going away. We have to take it seriously.

Obviously, the United States has in its memory—what's been burned into our memory is the events of 9/11. But I think the Australian people remember what happened in Bali. That's not something that we will forget. And as a consequence, it's important for us to stay on the offensive and to dismantle these terrorist organizations wherever they are.

It is a difficult task. It's one that requires us to stay focused. It requires effective coordinated action. It requires a recognition that we will not just solve these problems militarily, but we're also going to have to be much more effective diplomatically; we're going to have to be much more effective on the development front. And my expectation would be that over the next several years, you are going to see a more comprehensive strategy, a more focused strategy, a more disciplined strategy to achieve our common goals.

I think the American people, just like the Australian people, are always frustrated with the need to send our young men and women overseas for extended periods of time. Not only does it cost in terms of dollars, it puts enormous strain on families, and some don't return. And that's always something that weighs on the minds of the public. But I think that the American and the Australian people also recognize that in order for us to keep our homelands safe, in order to maintain our way of life, in order to ensure order in—on the international scene, that we can't allow vicious killers to have their way. And we're going to do what's required to ensure that does not happen.

Prime Minister Rudd. Good. Good to see you.

President Obama. Thank you so much. Thank you, everybody. Appreciate it.

NOTE: The President spoke at 12:25 p.m. in the Oval Office at the White House. In his remarks, he referred to Prime Minister Francois Fillon and President Nicolas Sarkozy of France; and Secretary of the Treasury Timothy F. Geithner.

Categories: Interviews With the News Media : Exchanges with reporters :: White House; Meetings With Foreign Leaders and International Officials : Australia :: Prime Minister Rudd.

Locations: Washington, DC.

Names: Baucus, Max Sieben; Dodd, Christopher J.; Fillon, Francois; Frank, Barney; Geithner, Timothy F.; Rudd, Kevin M.; Sarkozy, Nicolas; Shelby, Richard C.

Subjects: Afghanistan : Economic growth and development; Afghanistan : International assistance; Afghanistan : International diplomatic efforts; Afghanistan : U.S. military forces :: Deployment; Afghanistan : U.S. policy review; Australia : Afghanistan :: Australian military forces, deployment; Australia : Prime Minister; Australia : Relations with U.S.; Business and industry : Corporate executives, compensation packages; Business and industry : Home loan industry; Commerce, international : Financial regulations, modernization efforts; Commerce, international : Global financial markets :: Stabilization efforts; Commerce, international : Global financial markets :: Unrest; Commerce, international : Group of Twenty (G-20) nations; Deposit Insurance Corporation, Federal; Developing countries : International assistance; Developing countries : Recession, effects; Economy, national : Financial regulations, modernization efforts; Economy, national : Recession, effects; Energy : Alternative and renewable sources and technologies; Energy : Coal and clean coal technologies; Energy : Greenhouse gas emissions, regulation; Energy : National energy policy; Environment : Climate change ; France : President; France : Prime Minister; Indonesia : Terrorist attacks in Bali; Terrorism : Al Qaida terrorist group; Terrorism : Counterterrorism efforts; Terrorism : Global threat; Terrorism : September 11, 2001, attacks; Treasury, Department of the : Secretary.

DCPD Number: DCPD200900184.